

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2970-01
Bill No.: HB 1146
Subject: Children and Minors; Taxation and Revenue - General and Income
Type: Original
Date: January 7, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
General Revenue	\$0	(\$27,170,448)	(\$27,154,400)
Total Estimated Net Effect on <u>All</u> State Funds	\$0	(\$27,170,448)	(\$27,154,400)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Department of Revenue (DOR)** state this proposal creates an income tax credit equal to \$400 for any spouse who is not employed outside the home and is not receiving public assistance, and who provides child care for their children under the age of six years old. The tax credit is refundable and becomes effective for tax years beginning on or after January 1, 2003.

DOR stated according to OA Budget and Planning, there are 67,886 spouses eligible for this credit. Although workload measures were stated by DOR, staffing needs were estimated as unknown. Therefore, DOR anticipates processing this credit with existing staff and will not request additional FTE at this time.

This legislation will require modifications to the income tax systems. The Division of Taxation and Collections estimates these modifications, including programming changes, will require 1,730 hours of contract labor at a cost of \$57,713. Modifications to the income tax return and schedules will be completed with existing resources. State Data Center charges will increase due to the additional storage and fields to be captured. Funding in the amount of \$11,258 is requested for implementation costs.

In a similar prior proposal, DOR stated modifications to the telefile system would be needed, which would include a \$250 charge from MCI and an additional \$.21 a minute charge for every filer taking this credit. The Information Systems Division estimates the implementation costs would be \$4,790 and ongoing costs would be \$2,375 for the State Data Center.

Oversight assumes the Department of Revenue could handle the provisions of this proposal with existing staff and resources. However, Oversight will increase the prior year estimate for system modifications (\$4,790) for the additional State Data Center costs (\$11,258). Though requested by Oversight, DOR did not provide an estimate of the state revenue loss which would be expected due to the provisions of the proposal.

In a similar prior proposal, officials of the **Office of Administration, Budget and Planning (BAP)** stated this proposal allows an income tax credit for taxpayers whose spouse is not employed and provides child care. According to data from the 1997 Missouri Current Population Survey, there are 67,886 spouses who are not employed that have children under six and receive no public assistance. With a tax credit of \$400 this yields a fiscal impact of (\$27,154,400). No growth factor was assumed.

Oversight assumes that taxpayers will not adjust their withholdings in FY03 to take advantage of this credit.

Oversight assumes the DOR will require certification of eligibility for the tax credit by those applying for the credit. Failure to verify eligibility could result in costs beyond

amounts estimated.

ASSUMPTION (Continued)

This proposal would result in a decrease in Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2003 (6 Mo.)	FY 2004	FY 2005
GENERAL REVENUE FUND			
<u>Loss</u> to General Revenue Fund			
Additional Tax Credit for Child Care	\$0	(\$27,154,400)	(\$27,154,400)
<u>Costs - Department of Revenue</u>			
Programming changes	<u>\$0</u>	<u>(\$16,048)</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$0</u>	<u>(\$27,170,448)</u>	<u>(\$27,154,400)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2003 (6 Mo.)	FY 2004	FY 2005
	\$0	\$0	\$0

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

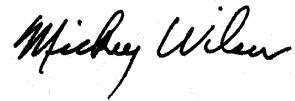
This bill authorizes an individual income tax credit equal to \$400 for any qualified spouse who cares for a child who is less than 6 years of age. The qualified spouse must provide care for the child, cannot be gainfully employed, and may not receive public assistance. The qualified spouse must file an affidavit attesting to being a qualified spouse as defined in the bill.

The bill will become effective January 1, 2003.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Office of Administration
Budget and Planning

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Acting Director

January 7, 2002